



03002613

DATES  
ANGE COMMISSION  
C. 20549

VF-2-19-03

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2004
Estimated average burden	
hours per response.....	12.00

## ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

SEC FILE NUMBER

8-15229

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/02 AND ENDING 12/31/02  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: V. J. SHAH & CO., INC.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

7 FANEUIL HALL

(No. and Street)

BOSTON

(City)

MA

(State)

02109

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

VIJAY SHAH617-723-3350

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

BAUMANN & BAUMANN CPAS

(Name - if individual, state last, first, middle name)

873 WORCESTER STREET WELLESLEY

(Address)

(City)

MA

(State)

02482

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

PROCESSED

MAR 06 2003

THOMSON  
FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

803-5

## OATH OR AFFIRMATION

I, VIJAY SHAH, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of V.J. SHAH & CO., INC., as of DECEMBER 31, 20 02, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

W. O. B.

Signature

PRESIDENT

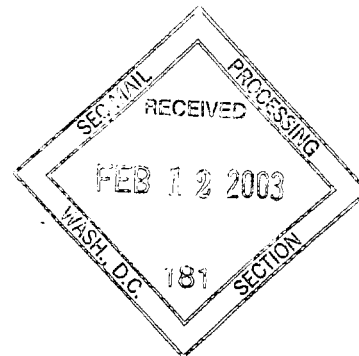
Title

Suzanne M. Velez  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**



**V. J. SHAH & CO., INC.**

DECEMBER 31, 2002

# **V. J. SHAH & CO., INC.**

*DECEMBER 31, 2002*

## **TABLE OF CONTENTS**

- A. S.E.C. Annual Audited Report Form X-17A-5, Part III Facing Page
- B. S.E.C. Focus Report, Form X-17A-5, Part II
- C. Audited Financial Statements and Other Financial Information
- D. Report on Internal Control Structure

**BAUMANN & BAUMANN CPAs**

873 Worcester Street  
Wellesley, Massachusetts 02482  
(781) 239-0190

Securities and Exchange Commission  
73 Tremont Street - Suite 600  
Boston, MA 02108-3912

We have audited the Focus Report of V. J. Shah & Co., Inc. as of December 31, 2002. The audit was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, includes a review of the system of internal control, the procedures employed for safeguarding securities, the practices and procedures employed in complying with Rule 17a-13 and in the resolution of securities differences, and such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including the auditing procedures prescribed by the Securities and Exchange Commission. There were no material differences with respect to the computation of Net capital and SEC Rule 15c3-1, and the computation of Determination of the Reserve Requirements under Exhibit A of Rule 15c3-3. We found no inadequacies in our audit of the above mentioned procedures and systems.

In our opinion, the Focus Report, with all supporting statements and schedules present fairly the financial position of V. J. Shah & Co., Inc. at December 31, 2002 in the form prescribed by the Securities and Exchange Commission, in conformity with accounting principles generally accepted in the United States of America applied on a basis consistent with that of the preceding year.

The 2001 Focus Report of the Company was examined by other auditors who rendered a report thereon dated January 8, 2002 which was unqualified.

A handwritten signature in cursive script that reads "Baumann & Baumann CPAs".

Wellesley, Massachusetts  
January 10, 2003

**FORM  
X-17A-5**

# FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

**Part II**

**17a-5(a)**

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17

## COVER

Select a filing method:

Basic ☒ Alternate ☐ [0011]

Name of Broker Dealer:

V.J. SHAH & CO., INC.

[0013]

SEC File Number: 8- 15229

[0014]

Address of Principal Place of  
Business:

SEVEN FANEUIL HALL

[0020]

BOSTON MA 02109

[0021] [0022]

[0023]

Firm ID: 3373

[0015]

For Period Beginning 01/01/2002 And Ending 12/31/2002

[0024]

[0025]

Name and telephone number of person to contact in regard to this report:

Name: VIJAY J. SHAH, PRESIDENT Phone: (617) 723-3350

[0030]

[0031]

Name(s) of subsidiaries or affiliates consolidated in this report:

Name: \_\_\_\_\_ Phone: \_\_\_\_\_

[0032]

[0033]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_

[0034]

[0035]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_

[0036]

[0037]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_

[0038]

[0039]

Does respondent carry its own customer accounts? Yes ☐ [0040] No ☒ [0041]

Check here if respondent is filing an audited report ☒ [0042]

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

BAUMANN & BAUMANN CPAs

70

ADDRESS

873 WORCESTER STREET

71

WELLESLEY

72

MA

73

02482

74

Number and Street

City

State

Zip Code

CHECK ONE

☒ Certified Public Accountant

75

☐ Public Accountant

76

☐ Accountant not resident in United States  
or any of its possessions

77

FOR SEC USE

--	--

DO NOT WRITE UNDER THIS LINE... FOR SEC USE ONLY

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				

50

51

52

53

# ASSETS

Consolidated [0198] Unconsolidated [0199]

		Allowable	Non-Allowable	Total
1.	Cash	<u>23,874</u> [0200]		<u>23,874</u> [0750]
2.	Cash segregated in compliance with federal and other regulations	<u>626</u> [0210]		<u>626</u> [0760]
3.	Receivable from brokers or dealers and clearing organizations:			
A.	Failed to deliver:			
1.	Includable in "Formula for Reserve Requirements"	<u></u> [0220]		<u>0</u>
2.	Other	<u></u> [0230]		<u>0</u> [0770]
B.	Securities borrowed:			
1.	Includable in "Formula for Reserve Requirements"	<u></u> [0240]		<u>0</u>
2.	Other	<u></u> [0250]		<u>0</u> [0780]
C.	Omnibus accounts:			
1.	Includable in "Formula for Reserve Requirements"	<u></u> [0260]		<u>0</u>
2.	Other	<u></u> [0270]		<u>0</u> [0790]
D.	Clearing Organizations:			
1.	Includable in "Formula for Reserve Requirements"	<u></u> [0280]		<u>0</u>
2.	Other	<u></u> [0290]		<u>0</u> [0800]
E.	Other	<u></u> [0300]	<u></u> [0550]	<u>0</u> [0810]
4.	Receivables from customers:			
A.	Securities accounts:			
1.	Cash and fully secured accounts:	<u></u> [0310]		
2.	Partly secured accounts	<u></u> [0320]	<u></u> [0560]	
3.	Unsecured accounts		<u></u> [0570]	
B.	Commodity accounts	<u></u> [0330]	<u></u> [0580]	
C.	Allowance for doubtful accounts	<u></u> [0335]	<u></u> [0590]	<u>0</u> [0820]



5.	Receivables from non-customers:			
A.	Cash and fully secured accounts	[0340]		
B.	Partly secured and unsecured accounts	5,880 [0350]	[0600]	5,880 [0830]
6.	Securities purchased under agreements to resell			0
		[0360]	[0605]	[0840]
7.	Securities and spot commodities owned, at market value:			
A.	Bankers acceptances, certificates of deposit and commercial paper	[0370]		
B.	U.S. and Canadian Government obligations	[0380]		
C.	State and municipal government obligations	[0390]		
D.	Corporate obligations	[0400]		
E.	Stocks and warrants	318,859 [0410]		
F.	Options	[0420]		
G.	Arbitrage	[0422]		
H.	Other securities	33,357 [0424]		
I.	Spot commodities	[0430]		
J.	Total inventory - includes encumbered securities of \$			352,216 [0850]
		[0120]		
8.	Securities owned not readily marketable:			
A.	At cost			
		3,300 [0130]		
B.	At estimated fair value	[0440]	3,300 [0610]	3,300 [0860]
9.	Other investments not readily marketable:			
A.	At cost			
		[0140]		
B.	At estimated fair value	[0450]	[0620]	0 [0870]
10.	Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			

A. Exempted securities			
	<u>                    </u>		
	[0150]		
B. Other	<u>                    </u>	<u>                    </u>	<u>                    </u>
	[0460]	[0630]	0
	<u>                    </u>		[0880]
	[0160]		
11. Secured demand notes - market value of collateral:			
A. Exempted securities			
	<u>                    </u>		
	[0170]		
B. Other	<u>                    </u>	<u>                    </u>	<u>                    </u>
	[0470]	[0640]	0
	<u>                    </u>		[0890]
	[0180]		
12. Memberships in exchanges:			
A. Owned, at market value			
	<u>                    </u>		
	[0190]		
B. Owned, at cost		<u>                    </u>	
		[0650]	
C. Contributed for use of company, at market value		<u>                    </u>	<u>                    </u>
		[0660]	0
			[0900]
13. Investment in and receivables from affiliates, subsidiaries and associated partnerships	<u>                    </u>	<u>                    </u>	<u>                    </u>
	[0480]	[0670]	0
			[0910]
14. Property, furniture, equipment, leasehold improvements and rights under lease agreements: At cost(net of accumulated depreciation and amortization)	<u>                    </u>	<u>                    </u>	<u>                    </u>
	[0490]	59,001	59,001
		[0680]	[0920]
15. Other Assets:			
A. Dividends and interest receivables			
	<u>                    </u>	<u>                    </u>	
	[0500]	[0690]	
B. Free shipments			
	<u>                    </u>	<u>                    </u>	
	[0510]	[0700]	
C. Loans and advances			
	<u>                    </u>	<u>                    </u>	
	[0520]	[0710]	
D. Miscellaneous			
	<u>                    </u>	<u>                    </u>	
	140,229	11,860	
	[0530]	[0720]	
E. Collateral accepted under SFAS 140			
	<u>                    </u>		
	[0536]		
F. SPE Assets			
	<u>                    </u>		<u>                    </u>
	[0537]		152,089
			[0930]
16. TOTAL ASSETS	<u>                    </u>	<u>                    </u>	<u>                    </u>
	522,825	74,161	596,986
	[0540]	[0740]	[0940]

	<b>Liabilities</b>	<b>A.I. Liabilities</b>	<b>Non-A.I. Liabilities</b>	<b>Total</b>
17.	Bank loans payable:			
	A. Includable in "Formula for Reserve Requirements"	_____ [1030]	_____ [1240]	_____ [1460] <u>0</u>
	B. Other	_____ [1040]	_____ [1250]	_____ [1470] <u>0</u>
18.	Securities sold under repurchase agreements		_____ [1260]	_____ [1480] <u>0</u>
19.	Payable to brokers or dealers and clearing organizations:			
	A. Failed to receive:			
	1. Includable in "Formula for Reserve Requirements"	_____ [1050]	_____ [1270]	_____ [1490] <u>0</u>
	2. Other	_____ [1060]	_____ [1280]	_____ [1500] <u>0</u>
	B. Securities loaned:			
	1. Includable in "Formula for Reserve Requirements"	_____ [1070]		_____ [1510] <u>0</u>
	2. Other	_____ [1080]	_____ [1290]	_____ [1520] <u>0</u>
	C. Omnibus accounts:			
	1. Includable in "Formula for Reserve Requirements"	_____ [1090]		_____ [1530] <u>0</u>
	2. Other	_____ [1095]	_____ [1300]	_____ [1540] <u>0</u>
	D. Clearing organizations:			
	1. Includable in "Formula for Reserve Requirements"	_____ [1100]		_____ [1550] <u>0</u>
	2. Other	_____ [1105]	_____ [1310]	_____ [1560] <u>0</u>
	E. Other:	_____ [1110]	_____ [1320]	_____ [1570] <u>0</u>
20.	Payable to customers:			
	A. Securities accounts including free credits of _____ [0950]	_____ [1120]		_____ [1580] <u>0</u>
	B. Commodities accounts	_____ [1130]	_____ [1330]	_____ [1590] <u>0</u>
21.	Payable to non customers:			
	A. Securities accounts	_____ [1140]	_____ [1340]	_____ [1600] <u>0</u>

	B. Commodities accounts	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[1150]	[1350]	[1610]
22.	Securities sold not yet purchased at market value including arbitrage			<u>                    </u>
	of <u>                    </u>			0
	[0960]		[1360]	[1620]
23.	Accounts payable and accrued liabilities and expenses:			<u>                    </u>
	A. Drafts payable	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[1160]		[1630]
		404		404
	B. Accounts payable	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[1170]		[1640]
		1,353		1,353
	C. Income taxes payable	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[1180]		[1650]
				0
	D. Deferred income taxes		<u>                    </u>	<u>                    </u>
			[1370]	[1660]
	E. Accrued expenses and other liabilities	<u>                    </u>	<u>                    </u>	<u>                    </u>
		5,500		5,500
		[1190]		[1670]
				0
	F. Other	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[1200]	[1380]	[1680]
				0
	G. Obligation to return securities		<u>                    </u>	<u>                    </u>
			[1386]	[1686]
				0
	H. SPE Liabilities		<u>                    </u>	<u>                    </u>
			[1387]	[1687]
24.	Notes and mortgages payable:			<u>                    </u>
	A. Unsecured	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[1210]		[1690]
				0
	B. Secured	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[1211]	[1390]	[1700]
25.	Liabilities subordinated to claims of general creditors:			<u>                    </u>
	A. Cash borrowings		<u>                    </u>	<u>                    </u>
			[1400]	[1710]
	1. from outsiders	<u>                    </u>		
		[0970]		
	2. Includes equity subordination (15c3-1 (d)) of	<u>                    </u>		
		[0980]		
				0
	B. Securities borrowings, at market value:		<u>                    </u>	<u>                    </u>
	from outsiders		[1410]	[1720]
				0
		[0990]		
	C. Pursuant to secured demand note collateral agreements		<u>                    </u>	<u>                    </u>
			[1420]	[1730]
	1. from outsiders	<u>                    </u>		
		[1000]		
	2. Includes equity			

	subordination (15c3-1 (d)) of			
		[1010]		
D.	Exchange memberships contributed for use of company at market value		<u>                    </u> [1430]	<u>                    </u> [1740]
E.	Accounts and other borrowings not qualified for net capital purposes	<u>                    </u> [1220]	<u>                    </u> [1440]	<u>                    </u> [1750]
26.	<b>TOTAL LIABILITIES:</b>	<u>                    </u> [1230]	<u>                    </u> [1450]	<u>                    </u> [1760]

## Ownership Equity

		<b>Total</b>
27.	Sole proprietorship	<u>                    </u> [1770]
28.	Partnership-limited partners	<u>                    </u> [1780]
		[1020]
29.	Corporation	<u>                    </u> 24,000
A.	Preferred stock	<u>                    </u> [1791]
B.	Common stock	<u>                    </u> 5,900
C.	Additional paid-in capital	<u>                    </u> [1792]
		8,319
D.	Retained earnings	<u>                    </u> [1793]
		608,467
E.	Total	<u>                    </u> [1794]
		646,686
F.	Less capital stock in treasury	<u>                    </u> [1795]
		-56,957
30.	<b>TOTAL OWNERSHIP EQUITY:</b>	<u>                    </u> [1796]
		589,729
31.	<b>TOTAL LIABILITIES AND OWNERSHIP EQUITY:</b>	<u>                    </u> [1800]
		596,986
		[1810]

# STATEMENT OF INCOME (LOSS)

Period Beginning 1 /01/2002  
[3932]

Period Ending 12/31/2002  
[3933]

Number of months 12  
[3931]

## REVENUE

1.	Commissions:		
a.	Commissions on transactions in exchange listed equity securities executed on an exchange		[3935]
b.	Commissions on transactions in exchange listed equity securities executed over-the-counter		[3937]
c.	Commissions on listed options transactions		[3938]
d.	All other securities commissions		738 [3939]
e.	Total securities commissions		738 [3940]
2.	Gains or losses on firm securities trading accounts:		
a.	From market making in over-the-counter equity securities		[3941]
i.	Includes gains or (losses) OTC market making in exchange listed equity securities	[3943]	
b.	From trading in debt securities		[3944]
c.	From market making in options on a national securities exchange		[3945]
d.	From all other trading		-56,674 [3949]
e.	Total gains or (losses)		-56,674 [3950]
3.	Gains or losses on firm securities investment accounts		
a.	Includes realized gains (losses)	-20,921 [4235]	
b.	Includes unrealized gains (losses)	[4236]	
c.	Total realized and unrealized gains (losses)		-20,921 [3952]
4.	Profits or (losses) from underwriting and selling groups		[3955]
a.	Includes underwriting income from corporate equity securities	[4237]	
5.	Margin interest		[3960]
6.	Revenue from sale of investment company shares		13,871 [3970]
7.	Fees for account supervision, investment advisory and administrative services		[3975]
8.	Revenue from research services		[3980]
9.	Commodities revenue		[3990]
10.	Other revenue related to securities business		[3985]
11.	Other revenue		95,745 [3995]

12.	Total revenue	32,759
		[4030]

**EXPENSES**

13.	Registered representatives' compensation	
		[4110]

14.	Clerical and administrative employees' expenses	
		[4040]

15.	Salaries and other employment costs for general partners, and voting stockholder officers	34,748
		[4120]

a.	Includes interest credited to General and Limited Partners capital accounts	
		[4130]

16.	Floor brokerage paid to certain brokers (see definition)	
		[4055]

17.	Commissions and clearance paid to all other brokers (see definition)	
		[4145]

18.	Clearance paid to non-brokers (see definition)	
		[4135]

19.	Communications	16,011
		[4060]

20.	Occupancy and equipment costs	50,377
		[4080]

21.	Promotional costs	
		[4150]

22.	Interest expense	
		[4075]

a.	Includes Interest on accounts subject to subordination agreements	
		[4070]

23.	Losses in error account and bad debts	
		[4170]

24.	Data processing costs (including service bureau service charges)	
		[4186]

25.	Non-recurring charges	
		[4190]

26.	Regulatory fees and expenses	7,638
		[4195]

27.	Other expenses	27,872
		[4100]

28.	Total expenses	136,646
		[4200]

**NET INCOME**

29.	Income (loss) before Federal income taxes and items below (Item 12 less Item 28)	-103,887
		[4210]

30.	Provision for Federal income taxes (for parent only)	
		[4220]

31.	Equity in earnings (losses) of unconsolidated subsidiaries not included above	
		[4222]

a.	After Federal income taxes of	
		[4238]

32.	Extraordinary gains (losses)	
		[4224]

a.	After Federal income taxes of	
		[4239]

33.	Cumulative effect of changes in accounting principles	
		[4225]

34.	Net income (loss) after Federal income taxes and extraordinary items	-103,887
		[4230]

**MONTHLY INCOME**

35. Income (current monthly only) before provision for Federal income taxes and extraordinary items

\_\_\_\_\_ [4211]



## EXEMPTIVE PROVISIONS

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based

A. (k) (1)--Limited business (mutual funds and/or variable annuities only)

☐ [4550]

B. (k) (2)(i)--"Special Account for the Exclusive Benefit of customers" maintained

☐ [4560]

C. (k) (2)(ii)--All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm(s)

☐ [4570]

Clearing Firm SEC#s

Name

Product Code

8-

[4335A]

[4335A2]

[4335B]

8-

[4335C]

[4335C2]

[4335D]

8-

[4335E]

[4335E2]

[4335F]

8-

[4335G]

[4335G2]

[4335H]

8-

[4335I]

[4335I2]

[4335J]

D. (k) (3)--Exempted by order of the Commission

☐ [4580]

## INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS UNDER 15C3-3

State the market valuation and the number of items of:

1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3. Notes A and B  
[4586]  
A. Number of items  
[4587]
2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. Notes B, C and D  
[4588]  
A. Number of items  
[4589]
3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3  
Yes ☒ [4584]  
No ☐ [4585]

# COMPUTATION FOR RESERVE REQUIREMENTS FOR BROKER DEALERS UNDER RULE 15C3-3

## CREDIT BALANCES

1.	Free credit balances and other credit balances in customers' security accounts (see Note A, Exhibit A, Rule 15c3-3)		[4340]
2.	Monies borrowed collateralized by securities carried for the accounts of customers (see Note B)		[4350]
3.	Monies payable against customers' securities loaned (see Note C)		[4360]
4.	Customers' securities failed to receive (see Note D)		[4370]
5.	Credit balances in firm accounts which are attributable to principal sales to customers		[4380]
6.	Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days		[4390]
7.	**Market value of short security count differences over 30 calendar days old		[4400]
8.	**Market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over 30 calendar days		[4410]
9.	Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the agent or the issuer during the 40 days		[4420]
10.	Other (List)		
		[4425A]	[4425B]
		[4425C]	[4425D]
		[4425E]	[4425F]
			0
			[4425]
11.	TOTAL CREDITS		0
			[4430]

## DEBIT BALANCES

12.	**Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3		[4440]
13.	Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver		[4450]
14.	Failed to deliver of customers' securities not older than 30 calendar days		[4460]
15.	Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts (See Note F)		[4465]
16.	Other (List)		
		[4469A]	[4469B]
		[4469C]	[4469D]
		[4469E]	[4469F]

- 0  
[4469]
17. \*\*Aggregate debit items 0  
[4470]
18. \*\*less 3% (for alternative method only - see Rule 15c3-1(f)(5)(i)) [4471]
19. \*\*TOTAL 15c3-3 DEBITS 0  
[4472]

**RESERVE COMPUTATION**

20. Excess of total debits over total credits (line 19 less line 11) [4480]
21. Excess of total credits over total debits (line 11 less line 19) [4490]
22. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits [4500]
23. Amount held on deposit in "Reserve Bank Account(s)", including value of qualified securities, at end of reporting period [4510]
24. Amount on deposit (or withdrawal) including [4520]
- [4515]
- value of qualified securities
25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including 0  
[4530]
- [4525]
- value of qualified securities
26. Date of deposit (MM/DD/YYYY) [4540]

**FREQUENCY OF COMPUTATION**

Daily ☐ [4332] Weekly ☐ [4333] Monthly ☒ [4334] N/A ☐

- \*\* In the event the Net Capital Requirement is computed under the alternative method, this "Reserve Formula" shall be prepared in accordance with the requirements of paragraph (f) of Rule 15c3-1.

# COMPUTATION FOR DETERMINATION OF PAIB RESERVE REQUIREMENTS FOR BROKER DEALERS

## CREDIT BALANCES

1.	Free credit balances and other credit balances in proprietary accounts of introducing brokers (PAIB)		[2110]
2.	Monies borrowed collateralized by securities carried for PAIB (See Note 1)		[2120]
3.	Monies payable against PAIB securities loaned (see Note 2)		[2130]
4.	PAIB securities failed to receive		[2140]
5.	Credit balances in firm accounts which are attributable to principal sales to PAIB		[2150]
6.	Other (List) (See Notes 4,5 and 6)		
		[2160A]	[2160B]
		[2160C]	[2160D]
		[2160E]	[2160F]
			0
			[2160]

7. TOTAL PAIB CREDITS

0  
[2170]

## DEBIT BALANCES

8.	Debit balances in PAIB excluding unsecured accounts and accounts doubtful of collection		[2180]
9.	Securities borrowed to effectuate short sales by PAIB and securities borrowed to make delivery on PAIB securities failed to deliver		[2190]
10.	Failed to deliver of PAIB securities not older than 30 calendar days		[2200]
11.	Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in PAIB accounts (See Notes 3,4,5 and 6)		[2210]
12.	Other (List)		
		[2220A]	[2220B]
		[2220C]	[2220D]
		[2220E]	[2220F]
			0
			[2220]

13. TOTAL PAIB DEBITS

0  
[2230]

## RESERVE COMPUTATION

14.	Excess of total PAIB debits over total PAIB credits (line 13 less line 7)		[2240]
15.	Excess of total PAIB credits over total PAIB debits (line 7 less line 13)		[2250]
16.	Excess debits in customer reserve formula computation		[2260]

17. PAIB Reserve Requirement (line 15 less line 16) \_\_\_\_\_ 0  
[2270]
18. Amount held on deposit in "Reserve Bank Account(s)", including \_\_\_\_\_  
[2280]
- value of qualified securities, at end of reporting period \_\_\_\_\_ [2275]
19. Amount of deposit (or withdrawal) including \_\_\_\_\_  
[2290]
- value of qualified securities \_\_\_\_\_ [2285]
20. New amount in Reserve Bank Account(s) after adding deposit or subtracting \_\_\_\_\_  
[2300]
- value of qualified securities \_\_\_\_\_ [2295]
21. Date of deposit (MM/DD/YYYY) \_\_\_\_\_  
[2310]

**FREQUENCY OF COMPUTATION**

Weekly ☐ [2320] Monthly ☒ [2330] N/A ☐

## COMPUTATION OF NET CAPITAL

1.	Total ownership equity from Statement of Financial Condition			<u>589,729</u>	
				[3480]	
2.	Deduct ownership equity not allowable for Net Capital			<u></u>	
				[3490]	
3.	Total ownership equity qualified for Net Capital			<u>589,729</u>	
				[3500]	
4.	Add:				
A.	Liabilities subordinated to claims of general creditors allowable in computation of net capital			<u>0</u>	
				[3520]	
B.	Other (deductions) or allowable credits (List)				
		<u></u>	<u></u>		
		[3525A]	[3525B]		
		<u></u>	<u></u>		
		[3525C]	[3525D]		
		<u></u>	<u></u>		
		[3525E]	[3525F]	<u>0</u>	
				[3525]	
5.	Total capital and allowable subordinated liabilities			<u>589,729</u>	
				[3530]	
6.	Deductions and/or charges:				
A.	Total non-allowable assets from Statement of Financial Condition ( Note B and C)	<u>74,161</u>			
				[3540]	
1.	Additional charges for customers' and non-customers' security accounts	<u></u>			
				[3550]	
2.	Additional charges for customers' and non-customers' commodity accounts	<u></u>			
				[3560]	
B.	Aged fail-to-deliver	<u></u>			
				[3570]	
1.	Number of items	<u></u>			
				[3450]	
C.	Aged short security differences-less reserve of number of items	<u></u>			
				[3460]	
		<u></u>			
				[3470]	
D.	Secured demand note deficiency	<u></u>			
				[3590]	
E.	Commodity futures contracts and spot commodities proprietary capital charges	<u></u>			
				[3600]	
F.	Other deductions and/or charges	<u></u>			
				[3610]	
G.	Deductions for accounts carried under Rule 15c3-1(a)(6), and (a)(7) and (c)(2)(x).	<u></u>			
				[3615]	
H.	Total deductions and/or charges			<u>-74,161</u>	
				[3620]	
7.	Other additions and/or credits (List)				
		<u></u>	<u></u>		
		[3630A]	[3630B]		
		<u></u>	<u></u>		
			[3630D]		
		[3630C]			
		<u></u>	<u></u>		
				<u>0</u>	

	[3630E]	[3630F]	[3630]
8. Net capital before haircuts on securities positions			<u>515,568</u>
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):			[3640]
A. Contractual securities commitments		<u>[3660]</u>	
B. Subordinated securities borrowings		<u>[3670]</u>	
C. Trading and investment securities:			
1. Bankers' acceptances, certificates of deposit and commercial paper		<u>[3680]</u>	
2. U.S. and Canadian government obligations		<u>[3690]</u>	
3. State and municipal government obligations		<u>[3700]</u>	
4. Corporate obligations		<u>[3710]</u>	
5. Stocks and warrants		<u>47,829</u> <u>[3720]</u>	
6. Options		<u>[3730]</u>	
7. Arbitrage		<u>[3732]</u>	
8. Other securities		<u>667</u> <u>[3734]</u>	
D. Undue Concentration		<u>[3650]</u>	
E. Other (List)			
	<u>[3736A]</u>	<u>[3736B]</u>	
		<u>[3736D]</u>	
	<u>[3736C]</u>		
		<u>[3736F]</u>	
	<u>[3736E]</u>	<u>0</u>	<u>-48,496</u>
		<u>[3736]</u>	<u>[3740]</u>
10. Net Capital			<u>467,072</u> <u>[3750]</u>

## COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

### Part A

11. Minimum net capital required (6-2/3% of line 19)	<u>483</u> <u>[3756]</u>
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with <u>Note(A)</u>	<u>250,000</u> <u>[3758]</u>
13. Net capital requirement (greater of line 11 or 12)	<u>250,000</u> <u>[3760]</u>
14. Excess net capital (line 10 less 13)	<u>217,072</u> <u>[3770]</u>



15. Excess net capital at 1000% (line 10 less 10% of line 19) 466,346  
[3780]

---

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16.	Total A.I. liabilities from Statement of Financial Condition		7,257 [3790]
17.	Add:		
	A. Drafts for immediate credit	[3800]	
	B. Market value of securities borrowed for which no equivalent value is paid or credited	[3810]	
	C. Other unrecorded amounts(List)		
		[3820A]	[3820B]
		[3820C]	[3820D]
		[3820E]	[3820F]
		0	0
		[3820]	[3830]
18.	Deduct Adjustment based upon deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii))		[3838]
19.	Total aggregate indebtedness		7,257 [3840]
20.	Percentage of aggregate indebtedness to net capital (line 19 / line 10)	%	2 [3850]
21.	Percentage of aggregate indebtedness to net capital after anticipated capital withdrawals (line 19 / line 10 less Item 4880)	%	2 [3853]

---

### OTHER RATIOS

#### Part C

29.	Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%	0 [3860]
30.	Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) - Net Capital	%	[3852]

## SCHEDULED WITHDRAWALS

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual	Name of Lender or Contributor	Insider or Outsider	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	Withdrawal or Maturity Date (MMDDYYYY)	Expect to Renew
[4600]	[4601]	[4602]	[4603]	[4604]	[4605]
[4610]	[4611]	[4612]	[4613]	[4614]	[4615]
[4620]	[4621]	[4622]	[4623]	[4624]	[4625]
[4630]	[4631]	[4632]	[4633]	[4634]	[4635]
[4640]	[4641]	[4642]	[4643]	[4644]	[4645]
[4650]	[4651]	[4652]	[4653]	[4654]	[4655]
[4660]	[4661]	[4662]	[4663]	[4664]	[4665]
[4670]	[4671]	[4672]	[4673]	[4674]	[4675]
[4680]	[4681]	[4682]	[4683]	[4684]	[4685]
[4690]	[4691]	[4692]	[4693]	[4694]	[4695]
TOTAL			0		
			\$		
				[4699]	
Omit Pennies					

**Instructions** Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

Withdrawal Code	Description
1	Equity Capital
2	Subordinated Liabilities
3	Accruals
4	15c3-1(c)(2)(iv) Liabilities

## RECAP

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, which have not been deducted in the computation of net capital.

### 1. Equity Capital

#### A. Partnership Capital:

1. General Partners		[4700]
2. Limited		[4710]
3. Undistributed Profits		[4720]
4. Other		0
		[4730]

Description	Amount	
	[4730A]	[4730B]
	[4730C]	[4730D]
	[4730E]	[4730F]

5. Sole Proprietorship		[4735]
------------------------	--	--------

#### B. Corporation Capital:

1. Common Stock		[4740]
2. Preferred Stock		[4750]
3. Retained Earnings (Dividends and Other)		[4760]
4. Other (describe below)		0
		[4770]

Description	Amount	
	[4770A]	[4770B]
	[4770C]	[4770D]
	[4770E]	[4770F]

### 2. Subordinated Liabilities

A. Secured Demand Notes		[4780]
B. Cash Subordinations		[4790]
C. Debentures		[4800]
D. Other		0
		[4810]

Description	Amount	
	[4810A]	[4810B]
	[4810C]	[4810D]

		<u>                    </u>	<u>                    </u>
		[4810E]	[4810F]
3.	Other Anticipated Withdrawals		
	A. Bonuses		<u>                    </u>
			[4820]
	B. Voluntary Contributions to Pension or Profit Sharing Plans		<u>                    </u>
			[4860]
	C. Other		<u>                    </u>
			0
			[4870]
	Description	Amount	
	<u>                    </u>	<u>                    </u>	
		[4870A]	[4870B]
	<u>                    </u>	<u>                    </u>	
		[4870C]	[4870D]
	<u>                    </u>	<u>                    </u>	
		[4870E]	[4870F]
Total			<u>                    </u>
			0
			[4880]

## STATEMENT OF CHANGES

---

### STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1.	Balance, beginning of period		<u>693,616</u>
			[4240]
A.	Net income (loss)		<u>-103,887</u>
			[4250]
B.	Additions (includes non-conforming capital of	<u></u>	<u></u>
		[4262] )	[4260]
C.	Deductions (includes non-conforming capital of	<u></u>	<u></u>
		[4272] )	[4270]
2.	Balance, end of period (From item 1800)		<u>589,729</u>
			[4290]

### STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

3.	Balance, beginning of period		<u></u>
			[4300]
A.	Increases		<u></u>
			[4310]
B.	Decreases		<u></u>
			[4320]
4.	Balance, end of period (From item 3520)		<u>0</u>
			[4330]

## SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION

### Customers' Regulated Commodity Futures Accounts

## Segregation Requirements

- |    |                                                                                            |                         |
|----|--------------------------------------------------------------------------------------------|-------------------------|
| 1. | Net ledger balance:                                                                        |                         |
|    | A. Cash                                                                                    | <u>7010</u>             |
|    | B. Securities (at market)                                                                  | <u>7020</u>             |
| 2. | Net unrealized profit (loss) in open futures contracts traded on a contract market:        | <u>7030</u>             |
| 3. | Exchange traded options:                                                                   |                         |
|    | A. Add: Market Value of open option contracts purchased on a contract market               | <u>7032</u>             |
|    | B. Deduct: Market Value of open option contracts granted (sold) on a contract market       | <u>7033</u>             |
| 4. | Net equity (deficit) (total of 1, 2 and 3)                                                 | <u>0</u><br><u>7040</u> |
| 5. | Add accounts liquidating to a deficit and accounts with debit balances with no open trades | <u>7050</u>             |
| 6. | Amount required to be segregated (total of 4 and 5)                                        | <u>0</u><br><u>7060</u> |

## Funds On Deposit In Segregation

- |     |                                                                                         |        |
|-----|-----------------------------------------------------------------------------------------|--------|
| 7.  | Deposited in segregated funds bank accounts:                                            |        |
| A.  | Cash                                                                                    | [7070] |
| B.  | Securities representing investments of customers' funds (at market)                     | [7080] |
| C.  | Securities held for particular customer or option customers in lieu of cash (at market) | [7090] |
| 8.  | Margins on deposit with clearing organizations of contract markets:                     |        |
| A.  | Cash                                                                                    | [7100] |
| B.  | Securities representing investments of customers' funds (at market)                     | [7110] |
| C.  | Securities held for particular customer or option customers in lieu of cash (at market) | [7120] |
| 9.  | Settlement due from (to) clearing organizations of contract markets                     | [7130] |
| 10. | Exchange traded options:                                                                |        |
| A.  | Add: Unrealized receivables for option contracts purchased on contract markets          | [7132] |
| B.  | Deduct: Unrealized obligations for option contracts granted (sold) on contract markets  | [7133] |
| 11. | Net Equities with other FCMs                                                            | [7140] |
| 12. | Segregated funds on hand:                                                               |        |
| A.  | Cash                                                                                    | [7150] |
| B.  | Securities representing investments of customers' funds (at market)                     | [7160] |
| C.  | Securities held for particular customer or option customers in lieu of cash (at market) | [7170] |

13.	Total amount in segregation (total of 7 through 12)	<u>0</u> [7180]
14.	Excess (incufficiency) funds in segregation (13 minus 6)	<u>0</u> [7190]

## FINANCIAL AND OPERATIONAL DATA

1.	Month end total number of stock record breaks unresolved over three business days			<b>Valuation</b>	<b>Number</b>
	A breaks long			<u>                    </u>	<u>                    </u>
				[4890]	[4900]
	B breaks short			<u>                    </u>	<u>                    </u>
				[4910]	[4920]
2.	Is the firm in compliance with Rule 17a-13 regarding periodic count and verification of securities positions and locations at least once in each calendar quarter?			Yes <input checked="" type="radio"/> [4930]	No <input type="radio"/> [4940]
3.	Personnel employed at end of reporting period				
	A Income producing personnel				<u>                    </u>
					[4950]
	B Non-income producing personnel (all other)				<u>                    </u>
					[4960]
	C Total				<u>                    </u>
					[4970]
4.	Actual number of tickets executed during current month of reporting period				<u>                    </u>
					[4980]
5.	Number of corrected customer confirmations mailed after settlement date				<u>                    </u>
					[4990]
		<b>No. of Items</b>	<b>Debit(Short Value)</b>	<b>No. of Items</b>	<b>Credit(Long Value)</b>
6.	Money differences	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[5000]	[5010]	[5020]	[5030]
7.	Security suspense accounts	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[5040]	[5050]	[5060]	[5070]
8.	Security difference accounts	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[5080]	[5090]	[5100]	[5110]
9.	Commodity suspense accounts	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[5120]	[5130]	[5140]	[5150]
10.	Open transactions with correspondents, other brokers, clearing organizations, depositories and interoffice and intercompany accounts which could result in a charge - unresolved amounts over 30 calendar days	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[5160]	[5170]	[5180]	[5190]
11.	Bank account reconciliations - unresolved amounts over 30 calendar days	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[5200]	[5210]	[5220]	[5230]
12.	Open transfers over 40 calendar days not confirmed	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[5240]	[5250]	[5260]	[5270]
13.	Transactions in	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>



	reorganization accounts - over 60 calendar days	[5280]	[5290]	[5300]	[5310]
14.	<b>Total</b>	<u>0</u> [5320]	<u>0</u> [5330]	<u>0</u> [5340]	<u>0</u> [5350]
			<b>No. of Items</b>	<b>Ledger Amount</b>	<b>Market Value</b>
15.	Failed to deliver 5 business days or longer (21 business days or longer in the case of Municipal Securities)		<u>[5360]</u>	<u>[5361]</u>	<u>[5362]</u>
16.	Failed to receive 5 business days or longer (21 business days or longer in the case of Municipal Securities)		<u>[5363]</u>	<u>[5364]</u>	<u>[5365]</u>
17.	Securities concentrations (See instructions in Part I)				
	A     Proprietary positions				<u>[5370]</u>
	B     Customers accounts under Rule 15c3-3				<u>[5374]</u>
18.	Total of personal capital borrowings due within six months				<u>[5378]</u>
19.	Maximum haircuts on underwriting commitments during the period				<u>[5380]</u>
20.	Planned capital expenditures for business expansion during next six months				<u>[5382]</u>
21.	Liabilities of other individuals or organizations guaranteed by respondent				<u>22,910</u> [5384]
22.	Lease and rentals payable within one year				<u>24,895</u> [5386]
23.	Aggregate lease and rental commitments payable for entire term of lease				
	A     Gross				<u>[5388]</u>
	B     Net				<u>[5390]</u>

**V. J. SHAH & CO., INC.**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

*YEARS ENDED DECEMBER 31, 2002 & 2001  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT*

**V. J. SHAH & CO., INC.**  
**AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION**  
*YEARS ENDED DECEMBER 31, 2002 & 2001*

PAGES

**AUDITED FINANCIAL STATEMENTS**

Independent Auditors' Report .....	1
Statements of Financial Condition.....	2-3
Statements of Operations and Retained Earnings .....	4
Statements of Cash Flows - Direct Method .....	5-6
Notes to Financial Statements .....	7-10

**OTHER FINANCIAL INFORMATION**

Independent Auditors' Report on Other Financial Information.....	12
Schedules of General and Administrative Expenses .....	13

**BAUMANN & BAUMANN CPAs**

873 Worcester Street  
Wellesley, Massachusetts 02482  
(781) 239-0190

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
**V. J. Shah & Co., Inc.**

We have audited the accompanying statement of financial condition of V. J. Shah & Co., Inc. as of December 31, 2002, and the related statements of operations and retained earnings and cash flows – direct method for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of V. J. Shah & Co., Inc. as of December 31, 2002, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The 2001 financial statements of the Company were examined by other auditors who rendered a report thereon dated January 8, 2002 which was unqualified.

A handwritten signature in cursive script, appearing to read "Baumann & Baumann CPAs", with a stylized flourish at the end.

Wellesley, Massachusetts  
January 10, 2003

**V. J. SHAH & CO., INC.**  
**STATEMENTS OF FINANCIAL CONDITION**  
*DECEMBER 31, 2002 & 2001*

<b>ASSETS</b>		
	<u>2002</u>	<u>2001</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 57,857	\$ 82,892
Investments, marketable securities	318,859	394,488
Prepaid expenses	11,860	13,204
Commissions receivable	5,880	10,468
Warrants	<u>3,300</u>	<u>3,300</u>
<b>TOTAL CURRENT ASSETS</b>	<u>397,756</u>	<u>504,352</u>
<b>PROPERTY AND EQUIPMENT</b> , at cost, less accumulated depreciation and amortization of \$51,328 in 2002 and \$153,565 in 2001		
	<u>59,001</u>	<u>77,354</u>
<b>OTHER ASSETS</b>		
Cash surrender value of life insurance	<u>140,229</u>	<u>133,941</u>
<b>TOTAL ASSETS</b>	<u>\$ 596,986</u>	<u>\$ 715,647</u>

The accompanying notes are an integral part of these financial statements.

**V. J. SHAH & CO., INC.**  
**STATEMENTS OF FINANCIAL CONDITION**  
*DECEMBER 31, 2002 & 2001*

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	<u>2002</u>	<u>2001</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ <u>7,257</u>	\$ <u>9,879</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred taxes	<u>-</u>	<u>12,152</u>
<b>TOTAL LIABILITIES</b>	<u>7,257</u>	<u>22,031</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, Class A voting	1,000	1,000
Common stock, Class B non-voting	4,900	4,900
Preferred stock, 5% non-cumulative	24,000	24,000
Additional paid-in capital	8,319	8,319
Retained earnings	<u>608,467</u>	<u>712,354</u>
	646,686	750,573
Less treasury stock, 20,301 shares in 2002 and 2001, at cost	( <u>56,957</u> )	( <u>56,957</u> )
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>589,729</u>	<u>693,616</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 596,986</u>	<u>\$ 715,647</u>

The accompanying notes are an integral part of these financial statements.

**V. J. SHAH & CO., INC.**  
**STATEMENTS OF OPERATIONS AND RETAINED EARNINGS**  
*YEARS ENDED DECEMBER 31, 2002 & 2001*

	<u>2002</u>	<u>2001</u>
<b>INCOME</b>		
Commission, trading and service revenues	\$ 110,329	\$ 133,313
Dividend and interest income	4,399	6,500
Net realized and unrealized gains and losses from investment activities	( 81,969)	( 111,883)
<b>TOTAL INCOME</b>	<u>32,759</u>	<u>27,930</u>
<b>OPERATING EXPENSES</b>		
General and administrative expenses	134,976	132,173
Depreciation and amortization	<u>18,352</u>	<u>18,237</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>153,328</u>	<u>150,410</u>
<b>LOSS BEFORE BENEFIT FROM (PROVISION FOR) INCOME TAXES</b>	( 120,569)	( 122,480)
<b>BENEFIT FROM (PROVISION FOR) INCOME TAXES</b>	<u>16,682</u>	( 5,935)
<b>NET (LOSS)</b>	( 103,887)	( 128,415)
<b>RETAINED EARNINGS AT BEGINNING OF YEAR</b>	<u>712,354</u>	<u>840,769</u>
<b>RETAINED EARNINGS AT END OF YEAR</b>	<u>\$ 608,467</u>	<u>\$ 712,354</u>

The accompanying notes are an integral part of these financial statements.

**V. J. SHAH & CO., INC.**  
**STATEMENTS OF CASH FLOWS – DIRECT METHOD**  
*YEARS ENDED DECEMBER 31, 2002 & 2001*

	<u>2002</u>	<u>2001</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 114,917	\$ 133,307
Cash paid to suppliers and employees	( 144,239)	( 129,198)
Dividends and interests received	4,399	6,500
Income tax refund	10,989	-
Income taxes paid	( 4,761)	( 130)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	( 18,695)	10,479
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	( 2,161)
Purchase of investments	( 94,935)	( 287,122)
Proceeds from sale of investments	88,595	240,888
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	( 6,340)	( 48,395)
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	( 25,035)	( 37,916)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	82,892	120,808
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 57,857</u>	<u>\$ 82,892</u>

The accompanying notes are an integral part of these financial statements.



**V. J. SHAH & CO., INC.**  
**STATEMENTS OF CASH FLOWS – DIRECT METHOD**  
*YEARS ENDED DECEMBER 31, 2002 & 2001*

	<u>2002</u>	<u>2001</u>
<b>RECONCILIATION OF NET LOSS TO NET CASH</b>		
<b>(USED IN) PROVIDED BY OPERATING ACTIVITIES:</b>		
Net loss	(\$103,887)	(\$128,415)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Net realized and unrealized loss from investment activities	81,969	111,883
Depreciation and amortization	18,352	18,237
Decrease (Increase) in prepaid expenses	1,345	( 5,911)
(Increase) in cash surrender value of life insurance	( 6,288)	( 6,568)
Decrease (Increase) in commissions receivable	4,588	( 6)
Decrease in Warrants	-	35,000
(Decrease) in accounts payable and accrued expenses	( 2,622)	( 18,061)
(Decrease) increase in deferred taxes	( 12,152)	4,320
<b>TOTAL ADJUSTMENTS</b>	<u>85,192</u>	<u>138,894</u>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(\$ 18,695)</u>	<u>\$ 10,479</u>

The accompanying notes are an integral part of these financial statements.

**V. J. SHAH & CO., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2002 AND 2001**

**(1) SIGNIFICANT ACCOUNTING POLICIES**

**Principal Business Activity**

V. J. Shah & Co., Inc. (A Massachusetts Corporation) was organized in 1969 as a broker/dealer of investment securities for customers located in New England. The Company is a registered member of the Securities and Exchange Commission and the National Association of Securities Dealers.

**Marketable Securities**

The Company's marketable securities, which consist entirely of equity securities, have been categorized trade securities and, as a result, are stated at fair value. Unrealized holding gains and losses are included as a component of earnings. The basis for which the Company computes cost in determining realized gains and losses is specific identification.

**Property and Equipment**

Property and Equipment are stated at cost. Expenditures for routine repairs and maintenance are charged to operations as they are incurred while those which significantly improve or extend the lives of existing assets are capitalized. Depreciation and amortization are computed using straight-line and accelerated methods.

**Income taxes**

Income tax expense includes Federal and State taxes currently payable and, when material, deferred taxes arising from temporary differences between incomes from financial reporting and tax purposes. These differences when material could result principally from recognition of unrealized gains and losses for financial reporting purposes.

**Cash and Cash Equivalents**

Excess funds are invested in a daily money market fund. This investment is considered to be a cash equivalent. At December 31, 2002 and 2001 the daily money market fund balance was \$33,357 and \$59,624, respectively. During the course of the normal business cycle, the Company at times maintains on deposit cash balances in excess of insured limits, and no losses have been realized as a result. The Company considers temporary cash investments with original maturities of three months or less from the date of purchase to be cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Commissions**

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

**Advertising**

Advertising costs are expensed as incurred. Advertising expense totaled \$161 and \$0 for the calendar years 2002 and 2001, respectively.

**V. J. SHAH & CO., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2002 AND 2001**

**(1) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allowance for Doubtful Accounts**

The Company's policy is to evaluate all receivables, principally from commissions, for collectibility on a monthly basis. There were no material allowances considered necessary as of December 31, 2002 and 2001.

**Concentrations of Credit Risk**

Financial instruments which potentially subject the Company concentrations of credit risk consist principally of commission receivables. Concentrations of credit risk with respect to commission receivables are limited due to the large number of companies comprising the Company's reference base. As of December 31, 2002, the Company had no significant concentrations of credit risk.

**(2) INVESTMENTS**

Marketable securities for investment purposes are shown on the December 31 balance sheets at market value as follows:

	<u>2002</u>	<u>2001</u>
Aggregate cost	\$ 569,255	\$ 583,836
Gross unrealized gain	71,447	67,201
Gross unrealized loss	( 321,843)	( 256,549)
Market value	<u>\$ 318,859</u>	<u>\$ 394,488</u>
Net unrealized (losses) recorded as income	( \$ 61,048)	( \$ 77,914)
Net realized (losses) from sale of marketable securities	( \$ 20,921)	( \$ 33,969)
Gross proceeds from sale of securities	<u>\$ 88,595</u>	<u>\$ 240,888</u>

At December 31, 2002 and 2001, respectively, no government obligations were held.

**(3) PROPERTY AND EQUIPMENT**

Property and equipment is comprised of the following categories, along with their respective estimated useful lives used for computing depreciation and amortization:

<u>Assets</u>	<u>2002</u>	<u>2001</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 43,576	\$ 120,596	5 - 7 Years
Office equipment	29,008	72,578	5 Years
Leasehold improvements	3,190	3,190	7 Years
Auto equipment	<u>34,555</u>	<u>34,555</u>	5 Years
Total Property and Equipment	110,329	230,919	
Less accumulated depreciation and amortization	( 51,328)	( 153,565)	
Total Property and Equipment, net	<u>\$ 59,001</u>	<u>\$ 77,354</u>	

**V. J. SHAH & CO., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2002 AND 2001**

**(4) INCOME TAXES**

The deferred tax amount consists of the following as of December 31 2002 and 2001:

	<u>2002</u>		<u>2001</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Deferred tax assets	\$ 73,689	\$ -	\$ 33,893	\$ -
Deferred tax liabilities	-	3,263	-	12,152
Less valuation allowance	( 73,689)	( 3,263)	( 33,893)	-
Deferred tax liabilities, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,152</u>

The deferred tax amounts included in the accompanying balance sheets primarily consist of future tax benefits and liabilities attributable to unrealized losses on investments (deferred assets) and depreciation relating to property and equipment (deferred liability).

Components of the benefit from (provision for) income taxes for the years ended December 31, 2002 and 2001 are as follows:

	<u>2002</u>	<u>2001</u>
Current		
Federal	\$ 6,229	\$ -
State	( 1,699)	( 1,614)
	<u>4,530</u>	<u>( 1,614)</u>
Deferred		
Federal	12,152	( 3,071)
State	-	( 1,250)
	<u>12,152</u>	<u>( 4,321)</u>
(Provision for) benefit from income taxes	<u>\$ 16,682</u>	<u>( \$ 5,935)</u>

**(5) LEASE OBLIGATION**

The Company leases its office under a lease expiring through January 31, 2004. However the Tenant has the right to terminate the lease as of June 30, 2003, by giving the Landlord three months prior notice. Rent expenses totaled \$28,231 and \$26,317 for the years ended December 31, 2002 and 2001, respectively. For the year ended December 31, 2002, rent expenses consisted of minimum rents of \$26,355, and \$1,876 of property taxes and other CAM charges due under the lease.

Future minimum rental payments for the five years ending December 31, 2007 are as follows:

2003	\$ 22,910
2004	1,985
2005	-
2006	-
2007	-
Total minimum future rental payments	<u>\$ 24,895</u>

**V. J. SHAH & CO., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2002 AND 2001**

**(6) CAPITAL STRUCTURE**

	<u>2002</u>	<u>2001</u>
Common stock, Class A voting, \$0.10 par value: Authorized and issued 10,000 shares, outstanding 9,699 shares in 2002 and 2001	\$ 1,000	\$ 1,000
Common stock, Class B non-voting, \$0.10 par value Authorized 100,000 shares, issued 49,000 shares, outstanding 29,000 shares in 2002 and 2001	\$ 4,900	\$ 4,900
Preferred stock, 5% non-cumulative, \$100.00 par value: Authorized, issued and outstanding 240 shares.	\$24,000	\$24,000
Treasury stock is recorded at cost. Total number of shares 20,301 in 2002 and 2001	\$56,957	\$56,957

Dividends are declared at the discretion of the Board of Directors.

**(7) REGULATORY REQUIREMENTS**

Pursuant to net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital as defined under such provisions. Net capital may fluctuate on a daily basis. The Company had net capital of \$467,071 and \$539,394 at December 31, 2002 and 2001, respectively. The minimum net capital requirement is \$250,000.

**(8) OUTSTANDING WARRANTS**

At December 31, 2002 and 2001, the Company had outstanding warrants to purchase 1,200 shares of the NASDAQ Stock Market, Inc., at prices ranging from \$13 to \$16 per share. The warrants become exercisable beginning on June 28, 2002 and expire at various dates through June 28, 2005.

---

## **OTHER FINANCIAL INFORMATION**

**BAUMANN & BAUMANN CPAs**

873 Worcester Street  
Wellesley, Massachusetts 02482  
(781) 239-0190

**INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION**

To the Board of Directors of  
**V. J. Shah & Co., Inc.**

Our audit for the year ended December 31, 2002 was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The 2001 accompanying information of the Company was subjected to auditing procedures applied in the audit of the basic financials statements by other auditors who rendered a report thereon dated January 8, 2002 which stated that they were fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Baumann & Baumann CPAs".

Wellesley, Massachusetts  
January 10, 2003

**V. J. SHAH & CO., INC.**  
**SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
Salaries, officers	\$ 22,500	\$ 30,000
Professional fees	36,128	39,398
Rent	28,231	26,317
Telephone	8,554	6,573
Officer's life insurance, net	( 6,288)	( 6,568)
Travel and entertainment	11,102	6,379
Automobile	6,670	6,125
Employee benefit programs	10,320	5,952
Office supplies and costs	7,457	4,966
Dues and subscriptions	2,138	4,856
Insurance	4,105	4,339
Taxes, payroll	1,928	2,446
Taxes, other	1,732	1,390
Bank charges	238	-
Advertising	<u>161</u>	<u>-</u>
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b><u>\$ 134,976</u></b>	<b><u>\$ 132,173</u></b>



**BAUMANN & BAUMANN CPAs**

873 Worcester Street  
Wellesley, Massachusetts 02482  
(781) 239-0190

To the Board of Directors of  
**V. J. Shah & Co., Inc.**

In planning and performing our audit of the financial statements of V. J. Shah & Co., Inc. for the year ended December 31, 2002, we considered its internal control structure, including procedures of safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by V.J. Shah & Co., Inc. that we considered relevant to the objectives stated in Rule 17a-5(g)(1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e); (2) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (3) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices and the procedures are to provide management with reasonable, but not absolute, assurance that assets for which the company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness in a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, which we considered to be material weaknesses as defined above.

To the Board of Directors of  
**V. J. Shah & Co., Inc.**  
Page 2

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2002, to meet the Commission's objectives.

This report is intended solely for the use of the management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be for any other purpose.

A report on the internal control structure of the Company was made by other auditors who rendered a report thereon dated January 8, 2002, which concluded that the Company's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives.

A handwritten signature in cursive script that reads "Braum & Braum PAs".

Wellesley, Massachusetts  
January 10, 2003